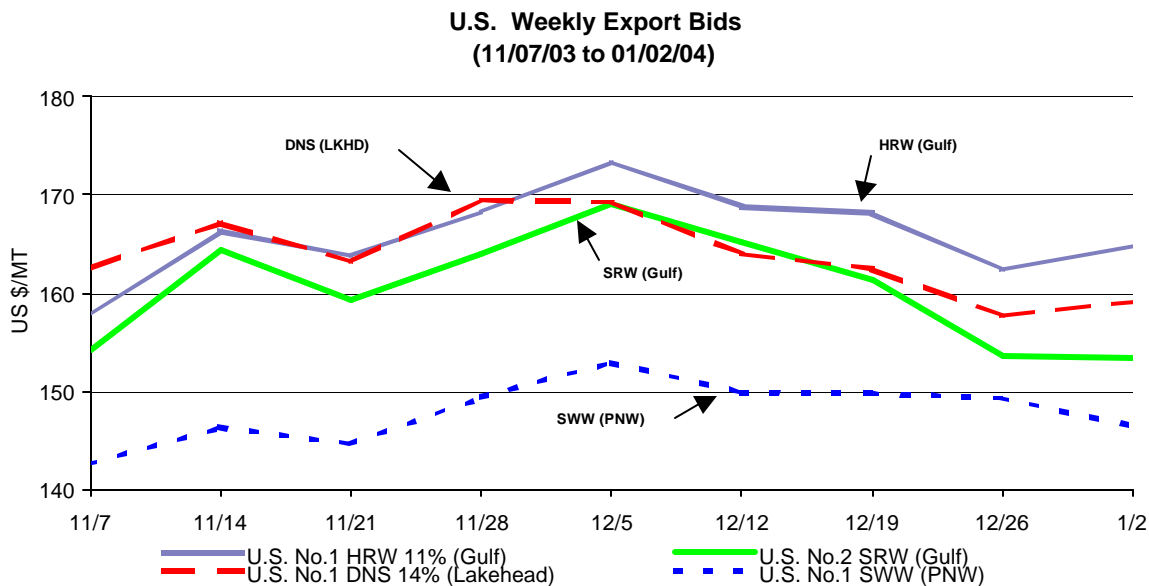

WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

China Returns As Net Importer: For the first time since 1999/2000, China will become a net importer of wheat. As wheat area has declined, production has failed to match use over the last several years, necessitating massive stock drawdowns and a shift in the trade balance. While the first half of the trade year saw strong Chinese exports, with much smaller import volumes, this situation is expected to be reversed the second half of the year. Wheat exports to Asian markets such as South Korea and the Philippines, mostly used for feed, are likely to wane. Meanwhile, large imports from the United States, Canada, and Australia are anticipated before the next harvest, as evidenced by recent purchases. U.S. sales to China have grown this year with commitments to date near 1.0 million tons--a 7-year high.

PRICES:

Domestic: At the end of the first week of January 2004, U.S. wheat export bids for all four classes were lower than the average prices of the last week of November 2003. SRW and HRS prices were each down \$10 a ton, while HRW and SWW were each down \$3 a ton.



TRADE CHANGES IN 2003/2004

Selected Exporters

- **Canada** up 500,000 tons to 16.0 million as ample exportable supplies have enabled strong exports.
- **China** up 400,000 tons to 1.7 million based on robust early-season exports to nearby markets. Export pace is expected to slow considerably during the second half of the trade year.
- **EU** down 500,000 tons to 7.0 million as shipments have begun to slow as old licenses expire and new export tenders remain suspended.
- **India** up 500,000 tons to 3.5 million due to strong early-season exports and favorable new crop prospects.
- **United States** up 1.0 million tons to an 8-year high of 31.0 million based on the strong pace of sales and shipments to date.

Selected Importers

- **China** up 1.0 million tons to a 7-year high of 2.0 million due to recent reported purchases from the United States, Canada, and Australia.
- **Ukraine** up 500,000 tons to 3.5 million as the smallest crop on record has resulted in large imports during the first half of the trade year.